

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY

FINANCIAL STATEMENT

MARCH 31, 2004

AUDITING PROCEDURES REPORT

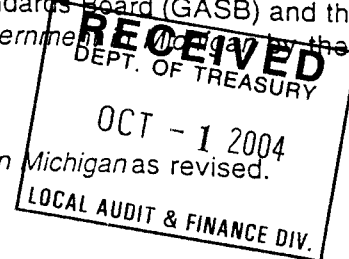
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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Village of Burr Oak</u>	County <u>St. Joseph</u>
Audit Date <u>March 31, 2004</u>	Opinion Date <u>Sept. 28, 2004</u>	Date Accountant Report Submitted to State: <u>September 29, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government promulgated by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) <u>David F. Looney, CPA PC</u>			
Street Address <u>67036 N. M-66</u>		City <u>Shurgis</u>	State <u>MI</u>
Accountant Signature <u>[Signature]</u>		ZIP <u>49091</u>	

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY

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INDEPENDENT AUDITOR'S REPORT

To the Village Board
Village of Burr Oak
Burr Oak, Michigan

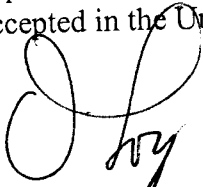
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Burr Oak, Michigan, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Burr Oak, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in the notes to the financial statements, management has not reported its financial statement under GASB 34 reporting format. As a result, no management discussion and analysis report, government wide statement of net assets, or government wide statement of activities is included. Management has not recorded certain general assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of the governmental activities of the Village of Burr Oak, Michigan, as of March 31, 2004, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Burr Oak, Michigan as of March 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink, appearing to read 'D. Locey', is positioned above the printed name.

David F. Locey, CPA, PC
Sturgis, Michigan
September 28, 2004

Village of Burr Oak - St. Joseph County
Combined Balance Sheet
All Fund Types and Account Groups
March 31, 2004

	Governmental Fund Types		Proprietary Fund Types	Account Groups	Total (Memorandum Only)
	General	Special Revenue	Water and Sewer	General Fixed Assets	Reporting Entity
<u>ASSETS</u>					
Cash & cash equivalents	\$364,432	\$260,709	\$446,723	\$0	\$1,071,864
Receivables					
Taxes	17,510	3,784	14,042	0	35,336
Due - Bond Project	0	0	20,014	0	20,014
Due from state	21,609	14,287	0	0	35,896
Due from other funds	194,198	110,462	0	0	304,660
Deferred charges	17,768	6,204	3,737	0	27,709
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	1,076,999	535,891	1,612,890
Total Assets	<u>\$615,517</u>	<u>\$395,446</u>	<u>\$1,561,515</u>	<u>\$535,891</u>	<u>\$3,108,369</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts payable - payroll	\$6,061	\$2,462	\$6,994	\$0	\$15,517
Accrued liabilities	4,751	0	0	0	4,751
Due to other funds	139,697	44,458	120,504	0	304,659
Other liabilities - bonds	0	0	721,000	0	721,000
Total Liabilities	<u>150,509</u>	<u>46,920</u>	<u>848,498</u>	<u>0</u>	<u>1,045,927</u>
Fund Equity					
Investment in Fixed Assets	0	0	0	535,891	535,891
Contributed Capital	0	0	2,778,696	0	2,778,696
Retained earnings	0	0	0	0	0
Reserved	0	0	0	0	0
Unreserved			(2,065,679)	0	(2,065,679)
Fund Balances					
Unreserved -- Undesignated	465,008	348,526	0	0	813,534
Total Fund Equity	<u>465,008</u>	<u>348,526</u>	<u>713,017</u>	<u>535,891</u>	<u>2,062,442</u>
Total Liabilities and Fund Equity	<u>\$615,517</u>	<u>\$395,446</u>	<u>\$1,561,515</u>	<u>\$535,891</u>	<u>\$3,108,369</u>

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County
Combined Statement of Revenues, Expenditures And Changes In Fund Balances - All
Governmental Fund Types
For the Year Ended March 31, 2004

	Governmental Funds		Total (Memorandum Only)
	General	Special Revenue	Reporting Entity
Revenues			
Taxes and Penalties	\$101,533	\$16,324	\$117,857
Licenses and Permits	3,913	0	3,913
State Grants	99,800	67,611	167,411
Fines and Forfeits	696	0	696
Interest and Rentals	12,154	2,730	14,884
Other Revenue	6,096	35,391	41,487
Total Revenues	224,192	122,056	346,248
Expenditures			
Current			
Legislative	4,596	0	4,596
General Government	50,778	0	50,778
Public Safety	131,575	30,104	161,679
Public Works	15,982	63,130	79,112
Recreation and Cultural	14,985	0	14,985
Total Expenditures	217,916	93,234	311,150
Excess of Revenues Over (Under) Expenditures	6,276	28,822	35,098
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers (Out)	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	6,276	28,822	35,098
Fund Balance - Beginning of the Year	458,732	319,704	778,436
Fund Balance - End of the Year	\$465,008	\$348,526	\$813,534

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County
Combined Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual
General Fund and Special Revenue Funds
For the Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues			
Taxes and Penalties	\$101,004	\$101,533	\$529
Licenses and Permits	3,480	3,913	433
State Grants	125,004	99,800	(25,204)
Fines and Forfeits	408	696	288
Interest and Rentals	14,052	12,154	(1,898)
Other Revenue	5,820	6,096	276
Total Revenues	249,768	224,192	(25,576)
Expenditures			
Current			
Legislative	6,948	4,596	(2,352)
General Government	64,636	50,778	(13,858)
Public Safety	129,450	131,575	2,125
Public Works	17,496	15,982	(1,514)
Recreation and Cultural	19,548	14,985	(4,563)
Total Expenditures	238,078	217,916	(20,162)
Excess of Revenues Over (Under) Expenditures	11,690	6,276	(5,414)
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	11,690	6,276	(5,414)
Fund Balance - Beginning of the Year	458,732	458,732	0
Fund Balance - End of the Year	<u>\$470,422</u>	<u>\$465,008</u>	<u>(\$5,414)</u>

The Notes to the Financial Statements are an integral part of this statement.

Special Revenue Funds			Total (Memorandum Only) Reporting Entity		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$15,996	\$16,324	\$328	\$117,000	\$117,857	\$857
0	0	0	3,480	3,913	433
66,360	67,611	1,251	191,364	167,411	(23,953)
0	0	0	408	696	288
4,008	2,730	(1,278)	18,060	14,884	(3,176)
48,828	35,391	(13,437)	54,648	41,487	(13,161)
135,192	122,056	(13,136)	384,960	346,248	(38,712)
0	0	0	6,948	4,596	(2,352)
0	0	0	64,636	50,778	(13,858)
	30,104	30,104	129,450	161,679	32,229
73,140	63,130	(10,010)	90,636	79,112	(11,524)
0	0	0	19,548	14,985	(4,563)
73,140	93,234	20,094	311,218	311,150	(68)
62,052	28,822	(33,230)	73,742	35,098	(38,644)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
62,052	28,822	(33,230)	73,742	35,098	(38,644)
319,704	319,704	0	778,436	778,436	0
<u>\$381,756</u>	<u>\$348,526</u>	<u>(\$33,230)</u>	<u>\$852,178</u>	<u>\$813,534</u>	<u>(\$38,644)</u>

Village of Burr Oak - St. Joseph County
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
Proprietary Fund Types
For the Year Ended March 31, 2004

	Proprietary Fund Types		Total (Memorandum Only)
	Water	Sewer	Reporting Entity
Operating Revenues			
Interest Income	\$2,080	\$5,807	\$7,887
Charges for Services	71,627	144,138	215,765
Total Operating Revenues	73,707	149,945	223,652
Operating Expenses			
Administration	6,336	6,886	13,222
Salaries and wages	9,230	9,089	18,319
Fringe benefits	1,178	1,233	2,411
Contractual services	0	69,645	69,645
Miscellaneous	19,119	32,467	51,586
Depreciation	0	212,783	212,783
Total Operating Expenses	35,863	332,103	367,966
Operating Income	37,844	(182,158)	(144,314)
Nonoperating Revenues			
Interest Expense	0	37,998	37,998
Net Income	37,844	(220,156)	(182,312)
Retained Earnings/Fund Balance-Beginning of Year	110,647	(1,994,014)	(1,883,367)
Retained Earnings/Fund Balance - End of the Year	<u>\$148,491</u>	<u>(\$2,214,170)</u>	<u>(\$2,065,679)</u>

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County
Combined Statement of Cash Flows - - All Proprietary Fund Types
Increase (Decrease) in Cash and Cash Equivalents
For the Year Ended March 31, 2004

	Proprietary Fund Types		Total (Memorandum Only) Reporting Entity
	Water	Sewer	
Cash Flows From Operating Activities			
Cash Charges for Services	\$73,569	\$143,667	\$217,236
Cash Payments to Employees for Services and Cash Payments to Suppliers for Goods and Services	(37,435)	(160,393)	(197,828)
Net Cash Provided by Operating Activities	36,134	(16,726)	19,408
Cash Flows From Noncapital Financing Activities			
Transfers In	(60,783)	(12,569)	(73,352)
Transfers (Out)	0	0	0
Net Cash Provided by Noncapital Financing Activities	(60,783)	(12,569)	(73,352)
Cash Flows From Capital and Related Financing Activities			
Payment of Principle	0	(10,000)	(10,000)
Net Cash Provided by Capital and Related Financing Activities	0	(10,000)	(10,000)
Cash Flows From Investing Activities			
Interest on Cash Equivalents	2,080	5,807	7,887
Net Cash Provided by Investing Activities	2,080	5,807	7,887
Net Increase in Cash and Cash Equivalents	(22,569)	(33,488)	(56,057)
Cash and Cash Equivalents at Beginning of the Year	182,972	339,822	522,794
Cash and Cash Equivalents at End of the Year	\$160,403	\$306,334	\$466,737

The Notes to the Financial Statements are an integral part of this statement.

Combined Statement of Cash Flows All Proprietary Fund Types
Increase (Decrease) in Cash and Cash Equivalents (Continued)

	Water	Sewer	Total (Memorandum Only)
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$37,844	(\$220,156)	(\$182,312)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation		212,783	212,783
Decrease (Increase) in Accounts Receivable	1,942	(77)	1,865
Decrease (Increase) in Prepaid Expenses	89		89
Decrease (Increase) in Nonoperating Income	(2,080)		(2,080)
Increase (Decrease) in Accounts Payable		(3,469)	(3,469)
Increase (Decrease) in Other Accrued Expense	(1,661)		0
Increase (Decrease) in Nonoperating Income		5,807	5,807
Net Cash Provided by Operating Activities	<u>\$36,134</u>	<u>(\$5,112)</u>	<u>\$31,022</u>

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Village of Burr Oak is located in St. Joseph County and provides services in many areas including public safety, highways and streets, general administrative services, and community enrichment.

PRINCIPLES USED IN DETERMINING THE SCOPE OF ENTITY FOR FINANCIAL REPORTING PURPOSES

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board Statement #14 "The Financial Reporting Entity". The Village of Burr Oak, Michigan operates under a council form of government. The accompanying financial statements present the Village's primary government and component units (none) over which the Village exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the Village of Burr Oak.

The major operations of the Village include water, sewer, fire protection, street department, and general administrative services.

Criteria - primary vs. component unit (none)
Oversight Responsibilities

- A. Financial interdependency - responsibility for financial deficits or entitlement to surpluses
- B. Selection of governing authority
- C. Designation of management
- D. Ability to significantly influence operations
- E. Accountability for fiscal matter

BASIS OF PRESENTATION

FUND ACCOUNTING

The accounts of the Village of Burr Oak are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

The funds are grouped into two fund types and eight generic funds as described below:

GOVERNMENTAL FUND TYPES

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund - This fund is established to account for resources devoted to financing the general services that the Village performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Village are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - The Village of Burr Oak has four Special Revenue Funds, the Major Street Fund, the Local Street Fund, the Municipal Street Fund, and the Fire Fund. These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trust, or major capital projects that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUND TYPES

These funds account for operations that are self-supporting through user charges. The funds included in this category are Enterprise Funds.

Enterprise Funds - The Village of Burr Oak has two enterprise funds, the Water Fund and the Sewer Fund. These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of provided goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

GENERAL FIXED ASSETS ACCOUNT GROUP

This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Enterprise Funds.

BASIS OF ACCOUNTING

Governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are both measurable and available), within sixty days.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations which are recognized when paid.

VILLAGE C. BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

BUDGETARY DATA

Formal budgetary accounting is employed as a management control for all funds of the Village. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund, Special Revenue Funds, and Proprietary Funds and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis.

All unencumbered budget appropriations lapse at the end of each fiscal year, council adopted fiscal year 3/04 budget in 3/03.

Village Board amended various budget items from originally adopted amounts, approved in minutes of the meetings. Budgeted data is in total, not a line item basis, under this method certain line items may exceed budgeted amount but not in total.

ASSETS, LIABILITIES, AND FUND EQUITY

Cash - Some funds have established their own checking accounts. To facilitate better management of the Village's cash resources, some cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount.

Property, Plant and Equipment - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group. Property, plant, and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies. Property, plant, and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

Depreciation is recorded over the useful life of asset -

Sewer Fund	10 - 40 years
------------	---------------

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

Fund equity - The unreserved fund balance for governmental funds represents the amount available for budgeting future operations.

REVENUE RECOGNITION

Property tax revenue recognition - The local unit property tax is levied on each July 1 on the state equalized valuation of property located in the Village of Burr Oak as of the preceding December 31. These amounts are recognized in the respective general fund and special revenue fund financial statements as taxes receivables or current tax collection.

TOTAL COLUMN ON COMBINED STATEMENTS -- OVERVIEW

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position, in conformity with generally accepted accounting principles, also is not data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)

CASH AND CASH EQUIVALENTS

Deposits are carried at cost. Deposits of the Village are at one bank in the name Village of Burr Oak. Michigan Compiled Laws (MCL), Sections 129.91, authorizes a local unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States in which principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan Law prohibits security in the form of collateral, security bonds, or other forms for the deposit of public money.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the Village's cash deposits are as follows:

	<u>Primary Government</u>
<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$100,000
Uninsured	<u>971,864</u>
Total Deposits	<u><u>\$1,071,864</u></u>

All investments(money market accounts) with maturates of 90 days or less are considered a cash equivalent.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Land	\$25,008	\$0	\$0	\$25,008
Buildings	103,267	0	0	103,267
Improvements other than Buildings				
Equipment	407,616	53,926	0	461,542
Total	<u>\$535,891</u>	<u>\$53,926</u>	<u>\$0</u>	<u>\$589,817</u>

DEPRECIABLE ASSETS - PROPRIETARY FUND

	Cost	Acc. Deprec.	Undeprec. Cost
Sewer Fund	\$3,545,795	\$2,468,796	\$1,076,999
Water Fund	127,660	127,660	0
	<u>\$3,673,455</u>	<u>\$2,596,456</u>	<u>\$1,076,999</u>

Current year depreciation changes were \$212,783.

BONDS PAYABLE - NOTES PAYABLE

BOND INDENTURE

Farmers Home Administration - Sewer fund is covered by a bond debt for infrastructure and equipment, current balance as of March 31, 2004 is \$721,000, \$11,000 is due within one year plus interest semi annually on March 1 and September 1. Original balance was \$797,000.

Village of Burr Oak - St. Joseph County
Sewer Fund
Statement of Bonded Indebtedness
For the Year Ended March 31, 2004

ISSUE DATE SEPTEMBER 1, 1993 IN THE AMOUNT OF	\$797,000
Less: Bonds paid in prior years	66,000
Bonds due and paid on September 1, 2003	<u>10,000</u>
Balance outstanding - March 31, 2004	<u><u>\$721,000</u></u>

Bonds payable as follows:

Year	Principal	Year	Principal
2004	11,000	2019	23,000
2005	11,000	2020	24,000
2006	12,000	2021	25,000
2007	12,000	2022	27,000
2008	13,000	2023	28,000
2009	14,000	2024	30,000
2010	14,000	2025	31,000
2011	15,000	2026	33,000
2012	16,000	2027	35,000
2013	17,000	2028	36,000
2014	18,000	2029	37,000
2015	19,000	2030	39,000
2016	20,000	2031	39,000
2017	21,000	2032	39,000
2018	22,000	2033	<u>40,000</u>
			<u><u>\$721,000</u></u>

The above Sewer Supply System Revenue Bonds are payable annually on September 1, with interest at 5.25% payable March 1 and September 1.

Principal of this bond is subject to prepayment prior to maturity, in inverse chronological order, at the issuer's option, on any interest payment date on or after September 1, 2003, accrued interest to the date fixed for prepayment.

The sewer fund's resources are the source of funds to repay the long-term debt of the bonds.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

SEGMENT INFORMATION FOR PROPRIETARY FUNDS

Village operates a municipal water department and a sewer operation also.

Water department bills local businesses and residences on a monthly basis, depreciation is on a straight line basis of 10 to 40 years depending on type of asset. The Village has operational sewer infrastructure, they do not have a treatment plant, it is piped into Sturgis, Michigan.

The Village maintains two proprietary funds which provide water and sewer services. Segment information for the year ended March 31, 2004 was as follows:

	Water	Sewer	Total Proprietary Funds
Operating Revenues (Deficit)	\$37,844	(\$7,373)	\$30,471
Depreciation	0	212,783	212,783
Operating Income (Loss)	37,844	(220,156)	(182,312)
Operating Grants	0	0	0
Operating Transfers			
In	0	0	0
Out	0	0	0
Tax Revenue	0	0	0
Net Income (Loss)	37,844	(220,156)	(182,312)
Current Capital			
Contributions	0	0	0
Transfers	0	0	0
Proprietary, Plant and Equipment			
Additions	0	0	0
Deletions	0	0	0
Net Working Capital	158,861	187,157	346,018
Total Assets	165,851	1,395,664	1,561,515
Bonds and Other Long Term Liabilities	0	721,000	721,000
Payable from Operation Revenues	0	721,000	721,000
Payable From Other Services	0	0	0
Total Equity	<u>\$158,861</u>	<u>\$554,156</u>	<u>\$713,017</u>

VILLAGE BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

INTERFUND RECEIVABLES AND PAYABLES

Interfund transactions between various governmental, special revenue and proprietary fund types occur during the fiscal year.

Principally, these transactions arise from operating subsidies. Transactions that have not resulted in the actual transfer of cash as of the end of the fiscal year are recorded as amounts due from (fund receivable) and due to (fund liability) other funds. For financial reporting purposes, current amounts are shown in the respective fund balance sheet. At the end of each fiscal year, the amount of interfund receivables is equal to the amount of interfund payables.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		
Municipal Street	\$46,137	\$52,114
Sewer	114,300	
Fire	12,021	20,000
Water	30,854	24,650
Local Street	951	2,402
Major Street	3,228	53,825
Major Street Fund		
General	50,597	0
Local		
Municipal		
Local Street Fund		
General	1,451	0
Major		
Municipal		
Municipal Street Fund		
General	50,435	44,458
Local		
Major		
Water Fund		
General		6,204
Sewer Fund		
General		114,300
Fire Fund		
General	39,599	31,620
	<u>\$349,573</u>	<u>\$349,573</u>

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

POST EMPLOYMENT BENEFITS - No benefits are available

DEFINED CONTRIBUTION PLAN

Effective Date: July 1, 1991, with an anniversary of March 31 of each year.

Eligibility: Any employee or independent contractor, of the village, who earns more than \$100 per calendar year.

Employee/Contractor Contributions: An employee/contractor may enter into the program by agreeing to contribute from 4.03% of their compensation to 25% of their compensation (the maximum shall be reduced by any contribution made by the Village). The employee's contribution shall be effective, the first of the month, following such election. The election may be changed, on the first of any month, by filing the appropriate form, with the Village Clerk, prior to the month the effects shall take place.

Village Contribution: The Village will contribute, for each employee that is not covered by the Village's 218 (Social Security) agreement, 3.75% of pay. The effect of the employee's and Village's contribution is to satisfy the required 7 1/2% of total compensation retirement contribution necessary to meet the Social Security OAS & D 'substitute' requirements. Employees who are covered by Social Security will not receive any Village contributions.

Vesting: All Monies contributed by the employee/contractor and Village contributions will be 100% vested at all times.

Funding: All employee and Village contributions (except de minimus amounts) shall be paid into a variable annuity contract, issued by Northwestern Mutual Life Insurance Company. Payments shall be made quarterly providing a minimum of \$25 deposit (employee and Village combined). DeMinimus Amounts: If the total contributions by employee and village are less than \$25 per year, such amounts will be accumulated, at the Village, and paid without interest upon the employee's payment commencement date.

Payment Commencement Date: The employee may have the annuity contract begin benefit payments upon the later of the following:

1. separation of employment (or contractual agreement) with the Village
2. retirement (no later than age 70)
3. death
4. unforeseen financial emergency

Methods of Payments: The employee or beneficiary may elect any of the following distribution payments:

1. equal payments for life
2. equal payments for a specified period of time (5 years, 10 years, etc.)
3. equal payments over the employee's life and the life of a spouse or contingent annuitant.
4. lump-sum (if monies are withdrawn before eight years or not on account of the death of the employee/contractor a reducing surrender charge will be made)

DEFICIT FUND BALANCE OR RETAINED EARNINGS OF INDIVIDUAL FUNDS

Sewer Fund

(\$2,214,170)

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Village has participated in the Michigan Participating Plan since January 1, 1987. The plan covers general liability, non-owned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

The MTTP was created pursuant to the authority of a) Article 7, section 28, Michigan Constitution of 1963; b) Section 1 Chapter 124, Michigan Compiled Laws (PA No. 35, 1951, as amended by PA No. 138, 1982). The Village voted unanimously to enter into this cooperative action agreement October 2, 1986 and have continued their membership since.

Michigan Village Participating Plan Description

The Michigan Participating Plan was established April 1, 1985, pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member; to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect, in accordance with this agreement, any member of the authority against liability or loss. The powers and duties created hereunder and the described activities of the plan are not intended to constitute the issuance of a policy of insurance. The members intend, in the creation of the plan, to establish an organization for joint risk management and have not created as between member and member any relationship for the debts of or claims against any member.

The MTTP, while it operates under the Michigan Legislation of PA 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Participating Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event of reinsurance becomes uncollectible by purchasing reinsurance treaties for uncollectible reinsurer. The Participating Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100 percent, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

The Plan entered into a similar agreement with American Commercial Liability Insurance Company.

Based on actuarial study performed by William M. Mercer, Inc., the MTTP had the following open case reserves and IBNR reserves at June 30, 1996 under these commutation agreements:

<u>Case Loss Reserves</u>	<u>IBNR Reserves</u>	<u>Total Reserves</u>
\$313,550	\$31,252	\$344,802

At June 30, 1996, the Plan has reinsurance limits in the amount of \$693,119 to cover the reserves.

The Plan has continued to use the services of Integrated Runoff Insurance Services Corporation (IRISC) to assist in formalizing loss reserve standards and in settling loss and loss adjustment expense reserves. IRISC has maintained its philosophy that the potential for governmental immunity should be ignored when setting case reserves, even though trends continue to indicate that average cases close for substantially less than the reserve estimates.

COMMITMENTS AND CONTINGENCIES

Management of the Village is not aware of any material commitments or contingent liabilities.

COMPENSATED ABSENCE

Vacation, sick leave, and other compensated absences - The Village of Burr Oak has no carry over vacation, sick pay, or compensated absences at the end of the current fiscal year. All compensated absences must be used during the fiscal year earned or they are lost.

GASB 34 REPORTING FINANCIAL

Village has elected not to convert to GASB 34 format, therefore assets owned by the Village such as building and equipment are not stated at current values as of 03/31/04, also no current charge is being recorded for current year depreciation, other than in the proprietary funds. Accordingly the Management Discussion Analysis Letter, Statement of Net Assets, and Statement of Activities are not included per GASB 34 format.

Village of Burr Oak - St. Joseph County
General Fund
Balance Sheet
March 31, 2004

ASSETS

Cash & cash equivalents	\$364,432
State revenue receivable	21,609
Taxes - miscellaneous receivable	17,510
Due from other funds	194,198
Prepaid insurance	17,768
	<hr/>
Total Assets	<u>\$615,517</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$6,061
Due to State-Federal taxes	4,751
Due to other funds	139,697
	<hr/>
Total Liabilities	150,509
Fund Balance	465,008
	<hr/>
Total Liabilities and Fund Balance	<u>\$615,517</u>

Village of Burr Oak - St. Joseph County
General Fund
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget
For the Year Ended March 31, 2004

	Budget	Actual	Over (Under) Budget
Revenues			
Property tax/county 1 mill	\$101,004	\$101,533	\$529
Penalties and interest on taxes	0	0	0
Licenses and permits	3,480	3,913	433
State shared revenues	125,004	99,800	(25,204)
Charges for services	996	0	(996)
Fines and forfeits	408	696	288
Building and equipment rental	9,048	9,000	(48)
Reimbursement of expenses	3,504	0	(3,504)
Interest earned	5,004	3,154	(1,850)
Miscellaneous	1,320	6,096	4,776
Total Revenues	249,768	224,192	(25,576)
Expenditures			
Legislative	6,948	4,596	(2,352)
Executive	7,176	7,964	788
Elections	948	921	(27)
Financial administration	9,480	5,225	(4,255)
Other general government	12,960	5,310	(7,650)
Police Department	59,340	52,926	(6,414)
Inspection	516	228	(288)
Highways, streets, bridges	17,496	15,982	(1,514)
Sanitation/DPW	38,862	54,454	15,592
Leaf pick-up	5,220	4,549	(671)
Cultural	5,004	6,250	1,246
Recreation	14,544	8,735	(5,809)
Contributions to other units	25,512	19,418	(6,094)
Other functions	34,072	31,358	(2,714)
Total Expenditures	238,078	217,916	(20,162)
Excess of Revenues Over (Under) Expenditures	11,690	6,276	(5,414)
Other Financing Sources (Uses)			
Operating Transfers - In	0	0	0
Operating Transfers - Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$11,690	\$6,276	(\$5,414)

Village of Burr Oak - St. Joseph County
General Fund
Statement of Expenditures

		Years Ended March 31,	
		2004	2003
LEGISLATIVE			
Village Council - salaries/miscellaneous		\$4,596	\$4,057
Total Legislative		4,596	4,057
EXECUTIVE			
Village President - salary		900	900
Capital outlay		0	424
Travel/dues/supplies		850	1,019
Administrative payroll		6,214	6,489
Total Executive		7,964	8,832
ELECTIONS			
Election expense:			
Wages		322	271
Printing and publishing		0	228
Auto expense/postage/miscellaneous		599	416
Board of canvassers		0	0
Total Elections		921	915
FINANCIAL ADMINISTRATION			
General village expenses:			
Postage and freight		0	0
Office supplies		1,497	1,159
Printing and publishing		0	0
Travel/miscellaneous		0	1,346
Audit/legal		0	0
Professional services		0	0
Telephone		1,167	1,465
Total General Administration		2,664	3,970
Clerk:			
Salary		950	950
Office supplies		0	57
Printing		0	1,931
Professional/miscellaneous		(81)	0
Total Clerk		869	2,938

Village of Burr Oak - St. Joseph County
Statement of General Fund Expenditures - Continued

	Years Ended March 31,	
	2004	2003
FINANCIAL ADMINISTRATION - Continued		
Treasurer:		
Salary	850	850
Postage/telephone/data processing	511	568
Auto expense	107	95
Miscellaneous	224	88
Total Treasurer	1,692	1,601
Total Financial Administration	5,225	8,509
OTHER GENERAL GOVERNMENT		
Village Hall and grounds:		
Salaries	799	552
Electricity	711	1,333
Heat	2,663	2,123
Insurance	46	60
New equipment/improvements	0	0
Supplies	153	28
Miscellaneous	715	745
Repairs and maintenance	223	6,147
Total Other General Government	5,310	10,988
POLICE DEPARTMENT		
General operating expenses:		
Salaries - wages	33,390	35,529
Supplies	501	772
Repairs and maintenance	238	0
Communications	1,504	1,900
Auto expenses	1,488	1,229
Insurance and bonds	3,693	3,667
Postage/uniforms/miscellaneous	8,312	8,737
New equipment	0	0
Dues	169	100
Employer's benefits	3,631	4,010
Total Police Department	52,926	55,944

Village of Burr Oak - St. Joseph County
Statement of General Fund Expenditures - Continued

	Years Ended March 31,	
	2004	2003
INSPECTION		
Building - contractual services	0	0
Flood control:		
Salaries	228	21
Supplies	0	0
Total Inspection	228	21
HIGHWAY, STREETS AND BRIDGES		
Street lighting	15,982	16,582
Total Highway, Streets and Bridges	15,982	16,582
SANITATION DEPARTMENT OF PUBLIC WORKS		
Salaries	12,035	13,185
Rental/miscellaneous	3,773	3,935
Supplies/uniforms/gas/repairs	5,349	3,419
Utilities/insurance	7,230	6,915
Capital Outlay	26,067	7,214
Total Sanitation	54,454	34,668
LEAF PICK-UP		
General operating expenses:		
Salaries	2,746	3,219
Supplies	1,803	687
Capital Outlay	0	0
Total Mosquito Control - Weed Control	4,549	3,906
CULTURAL		
Contribution to Village of Burr Oak		
Library Board	6,250	5,000
Total Cultural	6,250	5,000
RECREATION		
General operating expenses:		
Salaries	2,520	2,815
Operating supplies - miscellaneous	2,512	3,361
Repairs and maintenance	347	1,888
Equipment - capital improvements	3,356	6,466
Total Recreation	8,735	14,530

Village of Burr Oak - St. Joseph County
Statement of General Fund Expenditures - Continued

	Years Ended March 31,	
	2004	2003
CONTRIBUTIONS TO OTHER UNITS		
Fire	19,418	17,234
Total Contributions to Other Funds	19,418	17,234
OTHER FUNCTIONS		
General operating expenses:		
Legal	3,976	0
Miscellaneous	11,472	8,034
Data processing/tax roll and statements	416	0
Sidewalks	0	88
Employees' hospitalization insurance	2,258	3,793
Audit fees	410	534
Insurance and bonds	5,429	5,528
Promotional	0	299
Social security - Village share	7,397	9,168
Total Other Functions	31,358	27,444
Total General Fund Expenditures	\$217,916	\$208,630

Village of Burr Oak - St. Joseph County
General Fund
Statement of Changes in Fund Balance

	Years Ended March 31,	
	2004	2003
BALANCE - BEGINNING	\$458,732	\$426,054
Add: Excess of revenues over expenditures	6,276	32,678
BALANCE - ENDING	<u>\$465,008</u>	<u>\$458,732</u>

Village of Burr Oak - St. Joseph County
Combining Balance Sheet - Special Revenue Funds
March 31, 2004

	Major Street	Local Street	Municipal Street	Fire	Total
<u>ASSETS</u>					
Cash and Interest Bearing Deposits	\$172,348	\$28,536	\$31,355	\$28,470	\$260,709
Accounts Receivable - State	10,350	3,937	0	0	14,287
Accounts Receivable - Taxes	0	0	1,870	1,914	3,784
Other Assets	980	369	0	4,855	6,204
Due From Other Funds	50,597	1,451	50,435	7,979	110,462
Total Assets	<u>\$234,275</u>	<u>\$34,293</u>	<u>\$83,660</u>	<u>\$43,218</u>	<u>\$395,446</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$1,786	\$310	\$343	\$23	\$2,462
Due to Other Funds	0	0	44,458	0	44,458
Total Liabilities	1,786	310	44,801	23	46,920
Fund Equity					
Fund Balance	232,489	33,983	38,859	43,195	348,526
Total Liabilities and Fund Equity	<u>\$234,275</u>	<u>\$34,293</u>	<u>\$83,660</u>	<u>\$43,218</u>	<u>\$395,446</u>

Village of Burr Oak - St. Joseph County
Combining Statement of Revenues, Expenditures And Changes In Fund Balance
All Special Revenue Funds
For the Year Ended March 31, 2004

	Major Street	Local Street	Municipal Street	Fire	Total
Revenues					
Interest	\$2,150	\$174	\$191	\$215	\$2,730
Property Taxes	0	0	16,324	0	16,324
State Grants	49,017	18,594	0	0	67,611
Other Revenue	0	0	0	35,391	35,391
Total Revenue	51,167	18,768	16,515	35,606	122,056
Expenditures					
Public Works	31,265	17,339	14,526	0	63,130
Public Safety	0	0	0	30,104	30,104
Total Expenditures	31,265	17,339	14,526	30,104	93,234
Excess of Revenues Over (Under) Expenditures	19,902	1,429	1,989	5,502	28,822
Other Financing Sources (Uses)					
Transfers In - General Fund	0	0	0		0
Transfer Out - General Fund	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	19,902	1,429	1,989	5,502	28,822
Fund Balance - Beginning of the Year	212,587	32,554	36,870	37,693	319,704
Fund Balance - End of the Year	<u>\$232,489</u>	<u>\$33,983</u>	<u>\$38,859</u>	<u>\$43,195</u>	<u>\$348,526</u>

Village of Burr Oak - St. Joseph County
Major Street Fund
Statement of Revenues, Expenditures And Changes In Fund Balance Compared To Budget
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual 2004</u>	<u>Over (Under) Budget</u>
Revenues			
State Shared Revenue	\$41,856	\$49,017	\$7,161
Michigan State Building Fund	1,704	0	(1,704)
Miscellaneous - Interest	3,504	2,150	(1,354)
	<u>47,064</u>	<u>51,167</u>	<u>4,103</u>
Total Revenues			
Expenditures			
Highway, streets and bridges, building and equipment rental	3,600	3,600	0
Administrative salary	2,448	2,448	0
Routine maintenance:			
Salaries	4,044	3,591	(453)
Operating supplies	2,004	1,593	(411)
Repairs and maintenance	20,112	15,105	(5,007)
Audit, legal, professional	552	410	(142)
Insurance	2,784	1,623	(1,161)
Employer's social security taxes	480	421	(59)
Utilities - Misc.	3,072	2,474	(598)
	<u>39,096</u>	<u>31,265</u>	<u>(7,831)</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	7,968	19,902	11,934
Other Financing Sources (Uses)			
Operating Transfers - Out	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$7,968</u>	<u>\$19,902</u>	<u>\$11,934</u>

Village of Burr Oak - St. Joseph County
Major Street Fund
Statement of Changes in Fund Balance

	Years Ended March 31,	
	<u>2004</u>	<u>2003</u>
BALANCE - BEGINNING	\$212,587	\$185,964
Prior period adjustment	0	1,077
Add: Excess (deficiency) of revenues over over expenditures	<u>19,902</u>	<u>25,546</u>
BALANCE - ENDING	<u><u>\$232,489</u></u>	<u><u>\$212,587</u></u>

Village of Burr Oak - St. Joseph County
Local Street Fund
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget
For the Year Ended March 31, 2004

	Budget	Actual 2004	Over (Under) Budget
Revenues			
Michigan State Funds	\$648	\$0	(\$648)
State Shared Revenue	22,152	18,594	(3,558)
Other	300	174	(126)
Total Revenues	23,100	18,768	(4,332)
Expenditures			
Highway, streets and bridges, building and equipment rental	2,700	2,700	0
Administrative salary	2,016	2,079	63
Routine maintenance:			
Salaries and wages	3,396	2,919	(477)
Operating supplies	996	1,096	100
Repairs and maintenance	6,852	6,089	(763)
Audit, legal, professional	456	410	(46)
Insurance	1,414	823	(591)
Employer's social security taxes	444	381	(63)
Advertising/utilities/miscellaneous	1,154	842	(312)
Total Expenditures	19,428	17,339	(2,089)
Excess of Revenues Over (Under) Expenditures	3,672	1,429	(2,243)
Other Financing Sources (Uses)			
Operating Transfers - In	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$3,672	\$1,429	(\$2,243)

Village of Burr Oak - St. Joseph County
Local Street Fund
Statement of Changes in Fund Balance

	Years Ended March 31,	
	<u>2004</u>	<u>2003</u>
BALANCE - BEGINNING	\$32,554	\$31,658
Add: Excess (deficiency) of revenues over (under) expenditures	<u>1,429</u>	<u>896</u>
BALANCE - ENDING	<u>\$33,983</u>	<u>\$32,554</u>

Village of Burr Oak - St. Joseph County
Municipal Street Fund
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual 2004</u>	<u>Over (Under) Budget</u>
Revenues			
Property Taxes	\$15,996	\$16,324	\$328
Interest and Penalties	300	191	(109)
Sidewalk Construction	0	0	0
Reimbursements	0	0	0
Total Revenues	16,296	16,515	219
Expenditures			
Insurance	638	688	50
Salaries and wages	5,412	5,171	(241)
Equipment rental & supplies	3,696	3,684	(12)
Audit and legal fees	456	410	(46)
Employer's social security taxes - miscellaneous	4,414	4,573	159
Total Expenditures	14,616	14,526	(90)
Excess of Revenues Over (Under) Expenditures	1,680	1,989	309
Other Financing Sources (Uses) Operating Transfers - Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$1,680</u>	<u>\$1,989</u>	<u>\$309</u>

Village of Burr Oak - St. Joseph County
Municipal Street Fund
Statement of Changes in Fund Balance

	Years Ended March 31,	
	<u>2004</u>	<u>2003</u>
BALANCE - BEGINNING	\$36,870	\$35,629
Add: Excess (deficiency) of revenues over (under) expenditures	<u>1,989</u>	<u>1,241</u>
BALANCE - ENDING	<u><u>\$38,859</u></u>	<u><u>\$36,870</u></u>

Village of Burr Oak - St. Joseph County
Fire Fund
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual 2004</u>	<u>Over (Under) Budget</u>
Revenues			
Charges for Services	\$2,508	\$2,677	\$169
Contributions - Township & Village	41,016	27,714	(13,302)
Interest Earned - Deposits	204	215	11
Fire Truck	<u>5,004</u>	<u>5,000</u>	<u>(4)</u>
Total Revenues	48,732	35,606	(13,126)
Expenditures			
Administration	2,508	4,254	1,746
Fire Department	27,254	23,153	(4,101)
Station and building	3,118	1,797	(1,321)
New equipment	<u>10,008</u>	<u>900</u>	<u>(9,108)</u>
Total Expenditures	<u>42,888</u>	<u>30,104</u>	<u>(12,784)</u>
Excess of Revenues Over (Under) Expenditures	5,844	5,502	(342)
Other Financing Sources (Uses) Operating Transfers - In	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$5,844</u>	<u>\$5,502</u>	<u>(\$342)</u>

illage of Burr Oak - St. Joseph County
Fire Fund
Statement of Changes in Fund Balance

	Years Ended March 31,	
	2004	2003
BALANCE - BEGINNING	\$37,693	\$34,830
Add: Excess (deficiency) of revenues over (under) expenditures	5,502	5,523
BALANCE - ENDING	<u>\$43,195</u>	<u>\$40,353</u>

Village of Burr Oak - St. Joseph County
Fire Fund
Statement of Expenditures

	Years Ended March 31,	
	2004	2003
ADMINISTRATION		
Salary - chief and assistant	\$4,094	\$3,400
Board meetings	160	294
Total Administration	4,254	3,694
FIRE DEPARTMENT		
Salaries and wages	9,102	6,672
Audit/legal fees	1,000	1,750
Gas, oil and parking	1,717	2,341
Insurance	4,267	4,736
Miscellaneous and supplies	7,067	2,912
Total Fire Department	23,153	18,411
STATION AND BUILDING		
Heat and electricity	1,797	2,388
Repairs and maintenance	0	0
Total Station and Building	1,797	2,388
NEW EQUIPMENT	900	8,271
Total Expenditures	<u>\$30,104</u>	<u>\$32,764</u>

Village of Burr Oak - St. Joseph County
Water Supply System
Balance Sheet
March 31, 2004

ASSETS

CURRENT ASSETS

Cash Balances:	
Operating and Maintenance	\$140,389
Due - Bond Project	20,014
Prepaid Insurance	737
Water Billings Receivable	2959
Tax Receivable	<u>1,752</u>
Total Current Assets	25,462

FIXED ASSETS

At cost of \$127,660, net of accumulated depreciation of \$127,660	<u>0</u>
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Total Assets	<u><u>\$165,851</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

LIABILITIES, RESERVES, CONTRIBUTIONS AND RETAINED EARNINGS

CURRENT LIABILITIES

Accounts Payable	\$786
Due to Other Funds	<u>6,204</u>

Total Liabilities	6,990
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CONTRIBUTIONS - Municipality	10,370
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RETAINED EARNINGS	<u>148,491</u>
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Total Contributions and Retained Earnings	158,861
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Total Liabilities, Reserves, Contributions and Retained Earnings	<u><u>\$165,851</u></u>
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Village of Burr Oak - St. Joseph County
Water Supply System
Statement of Revenues and Expenses
For the Year Ended March 31, 2004

REVENUES

Water Billings	\$71,627
Interest on Investments	2,080
	<hr/>
Total Revenues	73,707

OTHER EXPENSES

Maintenance salaries	9,230
Village Officer Salaries	6,336
Payroll taxes - benefits	1,178
Office supplies and postage	1,270
Operating supplies	6,277
Repairs and maintenance	4,976
Professional fees	782
Telephone, advertising and insurance	2,527
Utilities	2,729
Miscellaneous	558
	<hr/>
Total Operating Expenses Before Depreciation	35,863

NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	37,844
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Less: Depreciation	0
	<hr/>

NET OPERATING INCOME (LOSS)	37,844
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Less non-operating expenses:

Appropriated to General Fund	0
	<hr/>

NET EARNINGS (LOSS)	<u>\$37,844</u>
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Village of Burr Oak - St. Joseph County
Water Supply System
Statement of Changes in Retained Earnings
For the Year Ended March 31, 2004

RETAINED EARNINGS - BEGINNING	\$110,647
Additions:	
Net (loss) Earnings - Current Year	<u>37,844</u>
RETAINED EARNINGS - ENDING	<u><u>\$148,491</u></u>

Village of Burr Oak - St. Joseph County
Water Fund
Statement of Cash Flows
For the Year Ended March 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$73,569
Cash payments to suppliers for goods and services	(21,869)
Cash payments to employees for services	<u>(15,566)</u>
Net cash provided (used) by operating activities	36,134

CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES:

Payments from (to) other funds	(60,783)
Payments to bond project	<u>(20,014)</u>
Net cash provided (used) by noncapital financing activities	(80,797)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>2,080</u>
Net cash provided (used) by investing activities	<u>2,080</u>
Net (decrease) in cash and cash equivalents	(42,583)
Cash and cash equivalents at beginning of year	<u>182,972</u>
Cash and cash equivalents at end of year	<u><u>\$140,389</u></u>

Village of Burr Oak - St. Joseph County
Water Fund
Reconciliation of Net Income to Net Cash Flows From Operating Activities
For the Year Ended March 31, 2004

Net Income	\$37,844
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in receivables	1,942
Change in accrued expenses	(1,661)
Change in prepaid expense	89
Nonoperating income	<u>(2,080)</u>
Net cash provided (used) by operating activities	<u><u>\$36,134</u></u>

SUPPLEMENTAL DISCLOSURES

Noncash Investing, Capital and Financing Transactions:

Currently no noncash investing and financing transactions exist.

Village of Burr Oak - St. Joseph County
Water Supply System
Statement of Earnings Compared to Budget
For the Year Ended March 31, 2004

	Budget	Actual 2004	Over (Under) Budget
Revenues			
Water billings	\$65,904	\$71,627	\$5,723
Interest on investments	1,200	2,080	880
Total Revenues	67,104	73,707	6,603
Operating Expenses			
Maintenance salaries	7,296	9,230	1,934
Village officer salary	6,208	6,336	128
Payroll taxes	1,200	1,178	(22)
Office supplies and postage	900	1,270	370
Operating supplies	8,496	6,277	(2,219)
Repairs and maintenance	4,008	4,976	968
Professional fees	23,520	782	(22,738)
Telephone, advertising and insurance	2,100	2,527	427
Utilities	2,508	2,729	221
Miscellaneous	4,388	558	(3,830)
Total Operating Expenses Before Depreciation	60,624	35,863	(24,761)
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	6,480	37,844	31,364
Less Depreciation	0	0	0
NET OPERATING INCOME (LOSS)	6,480	37,844	31,364
Less non-operating expenses:			
Appropriated to General Fund	0	0	0
NET EARNINGS (LOSS)	\$6,480	\$37,844	\$31,364

Village of Burr Oak - St. Joseph County
Sewer Fund
Balance Sheet
March 31, 2004

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$306,334
Accounts receivable - customers	9,331
Prepaid insurance	3,000
	<hr/>
Total Current Assets	318,665

FIXED ASSETS

At cost of \$3,545,795, net of accumulated depreciation of \$2,458,796	1,076,999
	<hr/>
Total Assets	<u>\$1,395,664</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable - interest payable	\$6,208
Bonds payable - FHA	11,000
Due to other funds	114,300
	<hr/>
Total Current Liabilities	131,508

NON-CURRENT LIABILITIES

Bonds payable - FHA	710,000
	<hr/>
Total Liabilities	841,508

EQUITY

Contributed capital	2,768,326
Retained earnings (Deficit)	(2,214,170)
	<hr/>
Total Equity	554,156
	<hr/>
Total Liabilities and Equity	<u>\$1,395,664</u>

Village of Burr Oak - St. Joseph County
Sewer Fund
Statement of Revenues and Expenses
For the Year Ended March 31, 2004

REVENUES

Interest	\$5,807
Sales	<u>144,138</u>
Total Revenues	149,945

OPERATING EXPENSES

Maintenance wages	9,089
Administrative salaries	6,886
Payroll taxes - benefits	1,233
Supplies and postage	949
Interest	37,998
Repairs and maintenance	(30)
Professional fees	9,227
Telephone/insurance	5,676
Utilities/treatment	60,418
Miscellaneous-Capital outlay	<u>25,872</u>
Total Operating Expenses Before Depreciation	<u>157,318</u>

NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(7,373)
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Less: Depreciation	<u>(212,783)</u>
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NET OPERATING INCOME (LOSS)	(220,156)
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Less non-operating expenses:

Appropriated to General Fund	<u>0</u>
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NET EARNINGS (LOSS)	<u><u>(\$220,156)</u></u>
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Village of Burr Oak - St. Joseph County
Sewer Fund
Statement of Changes in Retained Earnings
March 31, 2004

RETAINED EARNINGS - April 1, 2003	(\$1,994,014)
Current Net Income (Loss)	<u>(220,156)</u>
RETAINED EARNINGS - March 31, 2004	<u><u>(\$2,214,170)</u></u>

Village of Burr Oak - St. Joseph County
Sewer Fund
Statement of Cash Flows
For the Year Ended March 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$143,667
Cash payments for goods and services	(144,418)
Cash payments to employees for services	<u>(15,975)</u>
Net cash provided (used) by operating activities	(16,726)

CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES:

Net payments from (to) other funds	(12,569)
Payment - bonds	<u>(10,000)</u>
Net cash provided (used) by capital and related financing activities	(22,569)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earned	<u>5,807</u>
Net cash provided (used) by investing activities	<u>5,807</u>
Net increase (decrease) in cash and cash equivalents	(33,488)
Cash and cash equivalents at beginning of year	<u>339,822</u>
Cash and cash equivalents at end of year	<u><u>\$306,334</u></u>

Village of Burr Oak - St. Joseph County
Sewer Fund
Reconciliation of Net Income to Net Cash Flows From Operating Activities
For the Year Ended March 31, 2004

Net Income (Loss)	(\$220,156)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	212,783
Change in accounts payable/accrued expenses	(3,469)
Nonoperating income	5,807
Change in accounts receivable	<u>(77)</u>
Net cash provided (used) by operating activities	<u><u>(\$5,112)</u></u>

SUPPLEMENTAL DISCLOSURES

Noncash Investing, Capital and Financing Transactions:

Currently no noncash investing and financing transactions exist.

Village of Burr Oak - St. Joseph County
Sewer Fund
Statement of Bonded Indebtedness
For the Year Ended March 31, 2004

ISSUE DATE SEPTEMBER 1, 1993 IN THE AMOUNT OF	\$797,000
Less: Bonds paid in prior years	66,000
Bonds due and paid on September 1, 2003	<u>10,000</u>
Balance outstanding - March 31, 2004	<u><u>\$721,000</u></u>

Bonds payable as follows:

Year	Principal	Year	Principal
2004	11,000	2019	23,000
2005	11,000	2020	24,000
2006	12,000	2021	25,000
2007	12,000	2022	27,000
2008	13,000	2023	28,000
2009	14,000	2024	30,000
2010	14,000	2025	31,000
2011	15,000	2026	33,000
2012	16,000	2027	35,000
2013	17,000	2028	36,000
2014	18,000	2029	37,000
2015	19,000	2030	39,000
2016	20,000	2031	39,000
2017	21,000	2032	39,000
2018	22,000	2033	<u>40,000</u>
			<u><u>\$721,000</u></u>

The above Sewer Supply System Revenue Bonds are payable annually on September 1, with interest at 5.25% payable March 1 and September 1.

Principal of this bond is subject to prepayment prior to maturity, in inverse chronological order, at the issuer's option, on any interest payment date on or after September 1, 2003, accrued interest to the date fixed for prepayment.

Village of Burr Oak - St. Joseph County
Sewer Fund
Statement of Earnings Compared to Budget
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual 2004</u>	<u>Over (Under) Budget</u>
Revenues			
Sewer lead in/miscellaneous	\$96	\$0	(\$96)
Interest	6,252	5,807	(445)
Sales	142,500	144,138	1,638
Total Revenues	148,848	149,945	1,097
Operating Expenses			
Maintenance wages	7,296	9,089	1,793
Administrative salaries	8,592	6,886	(1,706)
Payroll taxes - benefits	1,200	1,233	33
Supplies and postage	732	949	217
Interest	39,132	37,998	(1,134)
Repairs and maintenance	6,000	(30)	(6,030)
Professional fees	8,940	9,227	287
Telephone/insurance	6,984	5,676	(1,308)
Utilities/treatment	43,992	60,418	16,426
Miscellaneous - Capital outlay	24,900	25,872	972
Total Operating Expenses Before Depreciation	147,768	157,318	9,550
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	1,080	(7,373)	(8,453)
Less Depreciation	(212,783)	(212,783)	0
NET OPERATING INCOME (LOSS)	(211,703)	(220,156)	(8,453)
Less non-operating expenses:			
Appropriated to General Fund	0	0	0
NET EARNINGS (LOSS)	(211,703)	(220,156)	(8,453)

Village of Burr Oak - St. Joseph County

General Fixed Assets Account Group

	Years Ended March 31,	
	2004	2003
ASSETS		
Land	\$16,800	\$16,800
Land improvements	8,208	8,208
Buildings and accessories	103,267	103,267
Machinery and equipment	461,542	407,616
Total Assets	<u>\$589,817</u>	<u>\$535,891</u>

Phone (269) 651-4225
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village of Burr Oak Board
Burr Oak, Michigan

We have audited the general purpose financial statements of the Village of Burr Oak, as of and for the year ended March 31, 2004, and have issued our report thereon dated September 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Burr Oak's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Burr Oak's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

relatively low level risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Village Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DAVID F. LOCEY, C.P.A., P.C.

Sturgis, Michigan
September 28, 2004

(269)-651-4225 Phone
(269)-651-1989 Fax

COMMENTS AND RECOMMENDATIONS

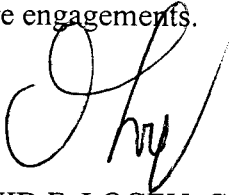
To the Village of Burr Oak
Burr Oak, Michigan

We appreciated the opportunity of examining the records for the Village of Burr Oak for the year ended March 31, 2004. In the process of the examination we came across the following findings or recommendations which we feel need to be reviewed:

1. The formatting of the payroll accounts should be reviewed as the current trial balance for the year end showed no wages being paid for the clerk, treasurer, village council, or village president. We made the adjustments for the various departments and pulled them out of the consolidating account they are being put into. For internal reporting purposes, and year end, they should be classified into the correct departments.
2. Formatting of the withholdings and payment for the pension, IRA, medical insurance, need to be reviewed as they are presently not being recorded correctly in the general ledger.
3. On a monthly basis a reconciliation needs to be done for the due from and due to accounts to make sure they zero out. As of March 31, 2004 they were off \$2,952, this was adjusted in the general fund. Due to the size of the general fund this is not a material adjustment but it still needs to be reconciled.
4. We will provide you with the March 31, 2004 audit adjustments, these need to be posted immediately so that the balances you are looking at on a monthly basis are correctly stated in each of the funds. As of March 31, 2004 the 2003 and 2002 audit adjustments were not posted to the general ledger.

5. Last year we made a recommendation about the Farmers Home Administration sewer bond indebtedness. As of March 31, 2004 there is still \$721,000 outstanding, perhaps you have reviewed this for interest rate reduction, if you have not I think this should be done.
6. Review the various funds to see where possibly you can consolidate certificates of deposit into one general ledger account. Many of the funds have multiple general ledger accounts for CDs outstanding, it is easier for recording entries and reviewing reports.
7. All bank accounts, including CDs should be reconciled monthly to record interest earned, transfers, or other activities.
8. A simplified monthly report for use by the board would be helpful in understanding current financial position. If you need assistance please let us know.

The assistance given during the last audit was very much appreciated and we look forward to future engagements.

A handwritten signature in black ink, appearing to read 'D. Locey', is written over the printed name.

DAVID F. LOCEY, C.P.A., P.C.
September 28, 2004